

**Fiscal Year 2013
Internal Audit
Annual Report**

I. Compliance with House Bill 16 (Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site)

Upon chief executive approval, the Office of the Governor will post the fiscal year 2014 audit plan, as provided by Texas Government Code, Section 2102.008 and the fiscal year 2013 internal audit annual report, as required by Texas Government Code, Section 2102.009 on its Internet Web site.

II. Internal Audit Plan for Fiscal Year 2013

Title	Status	Reason for Deviation
An audit to provide management assurance on progress towards implementing Emerging Technology Fund (ETF) recommendations Report 12-03, October 2012	Completed	NA
An audit to provide management assurance that contractor performance is monitored.	In Progress Planned FY2014 Release	NA
An audit to determine compliance with investment policies	Planning	(Deferred) FY2014
Peer Review (Required by GAGAS) November 2012	Completed	NA
An Assessment of Information Technology Governance	In Progress Planned FY2014 Release	(Added) Peer Review Recommendation
FY 2014 Agency Risk Assessment, Office of the Governor & Trusteed Programs, August 2013	Completed	NA
FY 2013 Small Agency Risk Assessment, Office of State and Federal Relations	Completed	Incorporated into Office Wide-Risk Assessment
Required Reporting	Ongoing	NA
Special Projects at Management Request	Ongoing	NA

III. Consulting Services and Nonaudit Services Completed

No consulting engagements as defined in the International Standards for the Professional Practice of Internal Auditing, nor non-audit services, as defined in Government Auditing Standards, were completed during Fiscal Year 2013.

IV. External Quality Assurance Review (Peer Review)

Executive summary of external quality assurance review completed in November, 2012.

**REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE
OFFICE OF THE GOVERNOR
INTERNAL AUDIT DIVISION**

November 2012



PERFORMED BY

**SANDRA Q. DONOHO, MPA, CIA, CFE, CISA, CICA
DIRECTOR OF INTERNAL AUDIT
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**PERFORMED IN ACCORDANCE WITH THE
STATE AGENCY INTERNAL AUDIT FORUM
PEER REVIEW POLICIES AND PROCEDURES**

OVERALL OPINION

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Office of the Governor's Internal Audit Division receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, and the U. S. Government Accountability Office (GAO) *Government Auditing Standards*, within the inherent limitations of a one-person audit function. This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

The Internal Audit Division is in compliance with the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102), except for the requirement to report to either the board of the agency or the head of the agency. The Office of the Governor does not have a governing board, and the head of the agency is the Governor himself. The Director of Internal Audit has a dotted line reporting relationship to the Governor, but reports directly to the Chief of Staff on a day-to-day basis. The Chief of Staff is responsible for managing the Governor's Office, so this reporting structure is appropriate for the audit function given these circumstances.

We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The Director of Internal Audit is qualified, proficient, and knowledgeable in the audited areas. Individual audit projects are planned using risk assessment techniques, audit conclusions are supported in the working papers, and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed internally. In addition, the Director of Internal Audit has an effective relationship with the Chief of Staff and other agency executives and is respected and supported by executive management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations.

ACKNOWLEDGEMENTS

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, the Chief of Staff and the senior managers who participated in the interview process. I would also like to thank each person who completed a survey for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.



Director of Internal Audit
Department of Housing and
Community Affairs
SAIAF Peer Review Team Leader



Date

V. Internal Audit Plan for Fiscal Year 2014

PLANNED AUDITS

DESCRIPTION	Budgeted Hours
An audit to provide management assurance that contractor performance is monitored. (Initiated in FY2013)	60
An audit to determine compliance with investment policies	160
An audit to provide assurance on the reliability of select Criminal Justice Division reporting	340

SPECIAL PROJECTS & MANAGEMENT ASSISTANCE

DESCRIPTION	Budgeted Hours
An assessment of information technology governance (Initiated in FY2013)	60
FY 2014 Agency Risk Assessment, Office of the Governor & Trusteed Programs	440
Required Reporting Fiscal Year 2013 Internal Audit Annual Report	80
Special Projects at Management Request	460

VI. External Audit Services Procured in Fiscal Year 2013

No external audit services were procured in FY 2013.

VII. Reporting Suspected Fraud and Abuse

All employees are informed of their responsibility to help protect public assets by reporting any suspicions of the existence of unethical activities internally, or to the State Auditor's Office.

The Chief of Staff reports suspected loss, misappropriation, misuse, fraud or unlawful conduct in relation to the operations of the Office of the Governor to the State Auditor's Office.

The external website of the Office of the Governor also includes a link to the State Auditor's fraud-reporting site